

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Flint Housing Commission		County Genesee
Fiscal Year End June 30, 2007	Opinion Date March 6, 2008	Date Audit Report Submitted to State		

We affirm that:

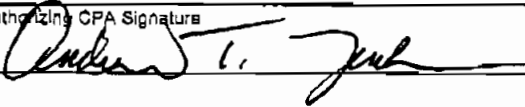
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Zenk & Associates, P.C.		Telephone Number 517-264-5156	
Street Address 2404 East US Hwy 223		City Adrian	State Zip MI 49221
Authorizing CPA Signature 		Printed Name Andrew T. Zenk	License Number 1101025116

FLINT HOUSING COMMISSION
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
FOR THE YEAR ENDED JUNE 30, 2007

FLINT HOUSING COMMISSION

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Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners,
Flint Housing Commission
Flint, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities of the Flint Housing Commission, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Flint Housing Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of its business-type activities of Flint Housing Commission, as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2008 on our consideration of Flint Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting on compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management discussion and analysis on pages 2 through 8 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Flint Housing Commission's basic financial statements. The financial data schedules and supplemental data listed in the table of contents are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are not a required part of the basic financial statements of the Flint Housing Commission. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

March 6, 2008

FLINT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Flint Housing Commission's (the Commission) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify change in the Commission's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the Management Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Commission's financial statements (beginning on page 9).

FINANCIAL HIGHLIGHTS

The Commission's net assets increased by \$5,013,839 (or 21%) during 2007. Since the Commission engages only in business-type activities, the decrease is all in the category of business-type net assets. Net assets were \$29,411,871 and \$24,398,032 for 2007 and 2006 respectively.

The business-type activities revenue increased by \$580,004 (or 5%) during 2007, and were \$11,827,986 and \$11,247,982 for 2007 and 2006 respectively. This increase in revenue is explained later in this section of the financial statements.

The total expenses of all Commission programs increased by \$68,011 (or 1%). Total expenses were \$12,588,462 and \$12,520,631 for 2007 and 2006 respectively. The decrease in expenses is explained later in this section of the financial statements.

USING THIS ANNUAL REPORT

The following is a graphic outline of the Commission's financial statement presentation :

MD&A Management Discussion and Analysis-pages 2-8
Basic Financial Statements Commission-wide Financial Statements - pages 9-12 Notes to Financial Statements - pages 13-19
Other Required Supplementary Information Required Supplementary Information - pages 20-30

FLINT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

The current presentation focuses on both the Commission as a whole (Commission-wide) and the major individual funds. Both perspectives (Commission-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Commission to Commission) and enhance the Commission's accountability.

Commission-Wide Financial Statements

The Commission-wide financial statements (see pages 9-12) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Commission.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Commission. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the not available liquid (non-capital) assets, net of liabilities for the entire Commission. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Commission-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets, similar to an Income Statement. This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenues and Expenses, such as capital grant revenue, investment or interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financial activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Commission consists of one major fund and is shown here as an Enterprise Fund. Enterprise Funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting. Many of the funds maintained by the Commission are required by the U. S. Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

FLINT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

The Commission's Programs

Enterprise Funds using Business-Type Presentation Format

Conventional Public Housing Program - Under the Conventional Public Housing Program (CFDA #14.850), the Commission owns and manages dwelling units, which it rents to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC # C-3012) with HUD. HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a flat rate or a rate based upon 30% of household income, depending on the circumstances and choice of the renter. The Conventional Public Housing Program also includes the Capital Fund Program (CFDA # 14.872), which is the primary funding source for physical and management improvements to the Commission owned properties and its operations.

Section 8 Housing Choice Voucher Program - Under the Housing Choice Voucher Program (CFDA #14.871), the Commission administers contracts with independent landlords that own rental property. The Commission subsidizes the family's rental contribution through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to cover the HAP and administrative costs for the number of subsidy allocations awarded, with participants paying up to 40% of income at initial lease-up.

COMMISSION-WIDE STATEMENT

The following table reflects the condensed Statement of Net Assets compared to prior year. The Commission is engaged in Business-Type Activities. For more detailed information and breakdown, see page 9 "Statement of Net Assets".

**TABLE 1
STATEMENT OF NET ASSETS**

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current and Other Assets	\$ 4,041,089	\$ 3,577,965	\$ 463,124
Capital Assets	<u>26,610,131</u>	<u>22,766,505</u>	<u>3,843,626</u>
Total Assets	30,651,220	26,344,470	4,306,750
Other Liabilities	541,808	1,099,587	(557,779)
Long-Term Liabilities	<u>697,541</u>	<u>846,851</u>	<u>(149,310)</u>
Total Liabilities	1,239,349	1,946,438	(707,089)
Net Assets:			
Invested in Capital Assets, Net of			
Related Debt	26,610,131	22,766,505	3,843,626
Unrestricted	<u>2,801,740</u>	<u>1,631,527</u>	<u>1,170,213</u>
Total Net Assets	\$ <u>29,411,871</u>	\$ <u>24,398,032</u>	\$ <u>5,013,839</u>

Major Factors Affecting the Statement of Net Assets

Current assets increased by \$436,124. The main reason the current assets increased was due to the reconciling of the Capital Fund Grants to the general ledger and subsequently receiving approximately \$320,000 in reimbursement from the Capital Funds for items that were charged, but not previously requisitioned from LOCCS. These reconciliations are now done on a monthly basis.

Current liabilities decreased by \$557,779. There was a reduction of \$130,000 in the liability that is owed to the City of Flint. The prior year's accounts payable was extremely high due to an accrual of \$330,000 that was in there for payment of two lawsuits. We also reduced the liability by paying the aforementioned lawsuit settlements. In addition, we were operating on a spending freeze at the time so there were not a lot of invoices that were due and payable at the end of the year.

Table 2 presents details on the changes in Unrestricted Net Assets

FLINT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

TABLE 2
CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets 6/30/06	\$	1,631,527
Results of Operations		(760,656)
Adjustments:		
Depreciation (1)		3,092,761
Disposal of Assets		(37,101)
Adjusted Results from Operations		2,295,004
Capital Expenditures		(3,239,006)
Prior Period Adjustment		2,114,215
Unrestricted Net Assets 6/30/07	\$	<u>2,801,740</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

While the results of operations is a significant measure of the Commission's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

TABLE 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Commission is engaged only in Business-Type Activities.

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues			
Tenant Revenues - Rent and Other	\$ 1,605,759	\$ 1,296,685	\$ 309,074
Operating Subsidies and Grants	8,206,870	8,749,982	(543,112)
Capital Grants	1,326,305	1,041,452	284,853
Other Government Grants	419,966	-0-	419,966
Investment Income	83,568	74,645	8,923
Gain/Loss on Sale of Fixed Assets	(2,142)	-0-	(2,142)
Other Revenues	<u>187,660</u>	<u>85,218</u>	<u>102,442</u>
Total Revenue	\$ <u>11,827,986</u>	\$ <u>11,247,982</u>	\$ <u>580,004</u>

FLINT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

TABLE 3, Continued
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, CONTINUED.

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Expenses			
Administrative	\$ 2,435,459	\$ 2,891,782	\$ (456,323)
Tenant Services	57,194	92,235	(35,041)
Utilities	1,219,209	1,285,859	(66,650)
Maintenance	1,356,906	1,688,008	(331,102)
Protective Services	442,137	482,362	(40,225)
General	534,829	381,921	152,908
Bad Debt	86,133	105,147	(19,014)
Housing Assistance Payments	3,369,499	3,045,821	323,678
Special Items	(5,485)	-0-	(5,485)
Extraordinary Maintenance	-0-	50,221	(50,221)
Depreciation	3,092,761	2,497,275	595,486
Total Expenses	\$ <u>12,588,642</u>	\$ <u>12,520,631</u>	\$ <u>68,011</u>
Net Decrease	\$ <u>(760,656)</u>	\$ <u>(1,272,649)</u>	\$ <u>511,993</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS.

The change in assets was primarily related to an additional \$419,000 in Housing Assistance Payments that were received in December 2006 from HUD.

The \$300,000 increase in Tenant Revenues is due in part to increased occupancy which resulted in additional dwelling rental income and in part to the increase in the late fee charge from \$10 to \$25. The decrease in Operating Subsidies is due to decreased funding from HUD for public housing. The increase in Capital Funds is due to receiving another Capital Fund Grant from HUD and utilizing the funds. The increase in Other Government Grants was due to additional HAP money received for the Housing Choice Voucher Program from HUD. The increase in other revenues is due in part to having more cash in the bank allowed us to receive more interest than the prior year.

First and foremost, there were a lot of changes at the Commission during fiscal year 2007. We survived several interim Executive Directors and staff terminations. The current staff placed spending freezes on purchases that were not an absolute necessity or an emergency item. This resulted in reduced expenses across the board.

Administrative and tenant service salaries decreased due to employee terminations. Maintenance materials as well as extraordinary maintenance expenses decreased due to the spending freeze that was initiated. Protective services were decreased because there was no room in the budget to pay the company from the operating fund; security was basically funded from the Capital Fund Grant. Bad debt was decreased due to stricter lease enforcement and implementations that were made in the updated lease in January 2007.

Housing Assistance Payments were increased due to a couple of items. The Program received additional monies in December 2006 and needed to utilize them. In addition, for several years, the Program was under-utilizing their monthly Contribution received from HUD so they have a surplus of money that needs to be utilized.

FLINT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

CAPITAL ASSETS

As of year end, the Commission had \$26,610,131 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$3,843,626.

TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	<u>Business-Type Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land and Land Rights	\$ 2,242,445	\$ 2,242,445	\$ -
Buildings	57,462,156	54,324,493	3,137,663
Equipment - Administrative	1,114,464	927,476	186,988
Leasehold Improvements	19,731,570	15,117,186	4,614,384
Construction in Progress	2,565,195	3,599,576	(1,034,381)
Accumulated Depreciation	<u>(56,505,699)</u>	<u>(53,444,671)</u>	<u>(3,061,028)</u>
Total	\$ <u>26,610,131</u>	\$ <u>22,766,505</u>	\$ <u>3,843,626</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 16 of the notes.

TABLE 5
CHANGE IN CAPITAL ASSETS

	<u>Business-Type</u> <u>Activities</u>
Beginning Balance	\$ 22,766,505
Additions	3,313,208
Prior Period Adjustment	3,660,280
Retirements	(37,101)
Net of Depreciation	
Depreciation	<u>(3,092,761)</u>
Ending Balance	\$ <u>26,610,131</u>

This year's major additions are:
Business - Type Activities

Capital Improvements Programs (modernization)	\$ 3,313,208
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FLINT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

DEBT OUTSTANDING

As of June 30, 2007 and June 30, 2006, the Commission owes debt to the City of Flint in the amounts of \$780,000 and \$910,000 respectively. The difference represents the principal payment of \$130,000.

ECONOMIC FACTORS

Significant economic factors affecting the Commission are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Very tight housing market which impacts housing rental rates.
- Local/state declining economic conditions and employment trends, impacting resident incomes and therefore, the amount of rental income.
- Inflationary pressure on utility rates, supplies, and other costs.
- No change in the utility allowance due to no changes in the utility costs in FY 07.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Roderick Slaughter, Interim Executive Director of Flint Housing Commission at (810) 736-3050. Specific requests may be submitted to Roderick Slaughter, Interim Executive Director of Flint Housing Commission, 3820 Richfield Rd, Flint, MI 48506.

FLINT HOUSING COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Cash and Cash Equivalents	\$ 3,517,416
Cash and Cash Equivalents - Restricted	167,715
Due From Other Governments	25,038
Receivables - Net of Allowance	43,866
Deferred Charges and Other Assets	148,720
Inventories - Net of Allowance	138,334
Fixed Assets - Net of Accumulated Depreciation	<u>26,610,131</u>
 TOTAL ASSETS	 <u>30,651,220</u>

LIABILITIES AND NET ASSETS

Accounts Payable	108,826
Accrued Salaries, Wages and Compensated Absences - Current	130,394
Due To Other Governments - Current	130,000
Trust and Deposit Liabilities - Current	162,709
Deferred Revenue	9,411
Deferred Credits and Other Liabilities	468
Due To Other Governments - Non-Current	690,838
Accrued Salaries, Wages and Compensated Absences - Non-Current	<u>6,703</u>
 TOTAL LIABILITIES	 <u>1,239,349</u>

NET ASSETS

Invested in Capital Assets	26,610,131
Restricted	-
Unrestricted	<u>2,801,740</u>
 TOTAL NET ASSETS	 <u>29,411,871</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>30,651,220</u>

"SEE INDEPENDENT AUDITOR'S REPORT"
"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

FLINT HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007

OPERATING REVENUES:

Federal Grants	\$ 8,206,870
Dwelling Rental	1,605,759
Other Government Grants	419,966
Other Revenue	<u>187,660</u>

TOTAL OPERATING REVENUES 10,420,255

OPERATING EXPENSES:

Administrative	2,435,459
Tenant Services	57,194
Utilities	1,219,209
Maintenance	1,356,906
Protective Services	442,137
Insurance	461,156
General Expense	4,962
Payments in Lieu of Taxes	68,711
Bad Debts	86,133
Housing Assistant Payments	3,369,499
Depreciation	3,092,761
Special Items	<u>(5,485)</u>

TOTAL OPERATING EXPENSES 12,588,642

OPERATING LOSS (2,168,387)

NON - OPERATING REVENUE (EXPENSES):

Interest and Investment Income	83,568
Gain (Loss) on Disposal of Capital Assets	(2,142)
Capital Grants	<u>1,326,305</u>

TOTAL NON-OPERATING REVENUE (EXPENSES) 1,407,731

CHANGE IN NET ASSETS (760,656)

TOTAL NET ASSETS - BEGINNING 24,398,032

PRIOR PERIOD ADJUSTMENT 5,774,495

TOTAL NET ASSETS - RESTATED 30,172,527

TOTAL NET ASSETS - ENDING \$ 29,411,871

"SEE INDEPENDENT AUDITOR'S REPORT"
"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

FLINT HOUSING COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from HUD	\$ 8,497,277
Cash Received from Tenants	1,577,705
Cash Payments for Housing Assistance Payments	(3,369,499)
Cash Payments for Administrative	(2,904,252)
Cash Payments for Other Operating Expenses	(3,625,115)
Other Income	<u>595,458</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 771,574

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Contributed Capital for Capital Grants	1,326,305
Acquisition of Capital Assets	(1,289,488)
Payments to Other Governments	<u>(130,000)</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (93,183)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Investment Income	<u>83,568</u>
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NET CASH PROVIDED BY INVESTING ACTIVITIES 83,568

INCREASE IN CASH AND CASH EQUIVALENTS 761,959

CASH AND CASH EQUIVALENTS, BEGINNING 2,923,172

CASH AND CASH EQUIVALENTS, ENDING \$ 3,685,131

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS

Cash and Cash Equivalents	\$ 3,517,416
Restricted Cash and Cash Equivalents	<u>167,715</u>

CASH AND CASH EQUIVALENTS, ENDING \$ 3,685,131

"SEE INDEPENDENT AUDITOR'S REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

FLINT HOUSING COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Loss	\$ (2,168,387)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities	
Depreciation	3,092,761
Bad Debts	86,133
(Increase) Decrease in:	
Receivables - Net of Allowance	(24,124)
Due From Other Governments	290,407
Inventories - Net of Allowance	34,819
Deferred Charges and Other Assets	24,433
Increase (Decrease) in:	
Accounts Payable	(509,405)
Accrued Wages, Salaries, and Compensated Absences	(18,640)
Due to Other Governments	(20,106)
Trust and Deposit Liabilities	(3,930)
Deferred Revenue	(12,168)
Deferred Credits and Other Liabilities	(219)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>771,574</u>

"SEE INDEPENDENT AUDITOR'S REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

FLINT HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Flint Housing Commission (the Commission) contracts with the U.S. Department of Housing and Urban Development (HUD) to provide housing to low-income families. FHC receives subsidies and is regulated by HUD to provide such housing. Therefore, HUD provides the Commission with detailed manuals that prescribe and describe accounting principles and procedures to be used by the Public Housing Commission (PHC). Any significant or material deviations from prescribed procedures are required to be reported as findings in the audit report prepared for HUD. In addition, HUD determines and arranges for temporary and permanent financing for the PHC and provides the funding for repayment of the indebtedness thus created.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board, (GASB) Statement No. 14, The Financial Reporting Entity, and Statement No. 39, Determining Whether Certain Organizations are Component Units, in that the financial statements include all organizations, activities, and functions for which the Commission is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Commission. On this basis, the Commission's management believes the financial statements represents all of the funds over which the Commission is financially accountable.

Basis of Accounting

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Commission follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Government activities, which normally are supported by intergovernmental (grant) revenues, are reported separately from any business-type activities, which would rely to a significant extent on fees and charges for support. All of the Commission's activities are considered business activities.

Budgetary Accounting

The Commission annually prepares its budgets as prescribed by the Department of Housing and Urban Development. Budgets for each fund (separate ACC #) are submitted to and approved by the Board of the Housing Commission, and then is submitted to HUD.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Restricted Cash

Restricted cash accounts represents amounts held for security deposits and other cash restricted for specific programs by HUD.

"SEE INDEPENDENT AUDITOR'S REPORT"

FLINT HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accrued Liabilities

All Payables and accrued liabilities are reported in the basic financial statements.

Receivables - Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year. The allowance for uncollectible accounts was \$19,406 at June 30, 2007.

Inventory - Materials

Inventory - materials are stated at cost which approximates market with an allowance for obsolescence of \$15,370.

Property and Equipment

Property and equipment are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The following are the useful lives used for depreciation purposes:

Buildings	40 Years
Equipment	5-10 Years
Leasehold Improvements	15 Years

Compensated Absences

The Commission accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Commission for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as fund liability.

Net Assets

Net assets consist of investment in capital assets, restricted net assets, and unrestricted net assets. Restricted net assets include the accumulation of contributions in the form of cash or other assets which generally do not have to be returned to the contributor. These funds are restricted by HUD as to use and must be approved before expending. Unrestricted assets are designated for use for program expenditures in future periods.

Due From/To Other Programs

Interprogram receivables and payables as of June 30, 2007 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

Deferred Revenue

Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

"SEE INDEPENDENT AUDITOR'S REPORT"

FLINT HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The Commission's cash deposits are summarized below and were held by the Commission's bank in the Commission's name. The cash deposit was covered by a combination of federal depository insurance and securities held by the pledging financial institution trust department or agent in the Commission's name. The carrying amount of the Commission's deposits totaled \$3,685,131 as of June 30, 2007. The corresponding bank balances totaled \$2,126,273 the difference representing outstanding checks and other in-transit items. The carrying amount includes petty cash of \$150.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
FDIC Insured Cash					
Deposits	\$ 143,581	\$ 3,541,550	\$ -0-	\$ 3,685,131	\$ 3,685,131

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the entity's name).

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

As of June 30, 2007, the Commission had the following cash and investments, the use of which was restricted under the terms of various grant programs, debt obligations, and other requirements.

	<u>Cash</u>
Conventional Program:	
Tenant Security Deposits	\$ 162,709
Modernization and Development	5,006
Total Restricted Cash	\$ 167,715

"SEE INDEPENDENT AUDITOR'S REPORT"

FLINT HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary:

	<u>2007</u>
Land	\$ 2,242,445
Buildings	57,462,156
Furniture and Equipment	1,114,464
Leasehold Improvements	19,731,570
Construction in Progress	<u>2,565,195</u>
Property and Equipment	83,115,830
Accumulated Depreciation	<u>(56,505,699)</u>
Property and Equipment, Net of Accumulated Depreciation	\$ <u>26,610,131</u>

The following is a summary of changes:

	Balance July 1, 2006	Additions (Deletions) Net	Balance June 30, 2007
Land	\$ 2,242,445	\$ -0-	\$ 2,242,445
Buildings	54,324,493	3,137,663	57,462,156
Furniture and Equipment	927,476	186,988	1,114,464
Leasehold Improvements	15,117,186	4,614,384	19,731,570
Construction	<u>3,599,576</u>	<u>(1,034,381)</u>	<u>2,565,195</u>
Property and Equipment	76,211,176	6,904,654	83,115,830
Accumulated Depreciation	<u>(53,444,671)</u>	<u>(3,061,028)</u>	<u>(56,505,699)</u>
Property and Equipment, Net of Accumulated Depreciation	\$ <u>22,766,505</u>	\$ <u>3,843,626</u>	\$ <u>26,610,131</u>

Depreciation expense for the year ended June 30, 2007 was \$3,092,761.

"SEE INDEPENDENT AUDITOR'S REPORT"

FLINT HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - LONG TERM DEBT

A roll-forward of the Authority's long-term debt in 2007 is as follows:

	Balance July 1, 2006	<u>Increase</u>	<u>Decrease</u>	Balance June 30, 2007	Due Within One Year
Note					
Payable	\$ 910,000	\$ -0-	\$ 130,000	\$ 780,000	\$ 130,000

The detail of the Authority's long term debt at year end is as follows:

Note Payable to the City of Flint, payable in annual installments of \$130,000 each July 1, non- interest bearing, unsecured, maturing January 2012. This debt is for unpaid employee wages and benefits for fiscal years 2000, 2001, and 2002 in the amount of \$1,580,965.

Debt service requirements of the notes payable for fiscal years ending on June 30, 2007 are as follows:

<u>Due Fiscal Year Ending</u>	<u>Principal Amount</u>
2008	\$ 130,000
2009	130,000
2010	130,000
2011	130,000
2012	<u>130,000</u>
Total	\$ <u>650,000</u>

NOTE 6 - DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all permanent Commission employees, permits each to defer a portion of their salary until future years. The deferred compensation is not available for distribution to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are held in trust, with the Commission serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted to any other purpose. All provisions of the plan, and the trust, are in conformance with Internal Revenue Code Section 457.

The plan's funds are excluded from the financial statements in conformance with the reporting and disclosure requirements in GASB Statement Number 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The Commission does not contribute to the deferred compensation plan.

"SEE INDEPENDENT AUDITOR'S REPORT"

FLINT HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method of Management
a. Torts, errors, and omissions	Purchased insurance with Housing Authority Risk Retention Group.
b. Injuries to employees (workers' Compensation)	Purchased insurance with American International Companies; Claims are administered by American International Companies.
c. Physical Property loss and natural disasters	Purchased commercial insurance with \$25,000 deductibles.
d. Health and Life	Purchased health insurance with M-Care; Life insurance is provided by Principle Life Insurance Company.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Grants

The Commission received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Commission. The amount, if any, of disbursements which may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

Litigation and Claims

In the normal course of operations, the Commission may be subject to litigation and claims. At June 30, 2007, the Commission was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

The Commission recorded an adjustment to correct capital assets, which was understated as of June 30, 2007. The adjustment increased the reported capital asset amount by \$3,660,280.

The Commission recorded an adjustment to correct net assets, which was understated as of June 30, 2007. The adjustment increased the reported net asset amount by \$2,114,215.

"SEE INDEPENDENT AUDITOR'S REPORT"

FLINT HOUSING COMMISSION
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
JUNE 30, 2007

FDS Line Item No.	Account Description	14.850a Low Rent Housing	14.871 Sect. 8 HCV Programs	14.872 CFP	Total
	ASSETS				
111	Cash - Unrestricted	\$1,940,594	\$1,576,822	\$0	\$3,517,416
112	Cash - Restricted - Modernization and Development	5,006	0	0	5,006
114	Cash - Tenant Security Deposits	162,709	0	0	162,709
100	TOTAL CASH	2,108,309	1,576,822	0	3,685,131
122	Accounts Receivable - HUD Other Projects	0	0	25,038	25,038
124	Accounts Receivable - Other Government	0	0	0	0
126	AVR Tenants - Dwelling Rents	63,272	0	0	63,272
126.1	Allowance for Doubtful Accounts	(19,406)	0	0	(19,406)
129	Accrued Interest Receivable	0	0	0	0
120	TOTAL ACCOUNTS RECEIVABLE	43,866	0	25,038	68,904
131	Investments - Unrestricted	0	0	0	0
132	Investments - Restricted	0	0	0	0
142	Prepaid Expenses & Other Assets	148,720	0	0	148,720
143	Inventories	153,704	0	0	153,704
143.1	Allowance for Obsolete Inventories	(15,370)	0	0	(15,370)
144	Interprogram Due From	0	1,943	924	2,867
150	TOTAL CURRENT ASSETS	2,439,229	1,578,765	25,962	4,043,956
161	Land	2,242,445	0	0	2,242,445
162	Buildings	57,462,156	0	0	57,462,156
163	Furniture and Equipment - Dwellings	0	0	0	0
164	Furniture and Equipment - Administrative	777,763	15,741	320,960	1,114,464
165	Leasehold Improvement	19,731,570	0	0	19,731,570
166	Accumulated Depreciation	(56,384,246)	(15,741)	(105,712)	(56,505,699)
167	Construction in Progress	0	0	2,565,195	2,565,195
160	TOTAL FIXED ASSETS, NET	23,829,688	0	2,780,443	26,610,131
180	TOTAL NON-CURRENT ASSETS	23,829,688	0	2,780,443	26,610,131
190	TOTAL ASSETS	\$26,268,917	\$1,578,765	\$2,806,405	\$30,654,087
	LIABILITIES				
312	Accounts Payable <=90 Days	\$83,788	\$0	\$25,038	\$108,826
321	Accrued Wages/Payroll Taxes	78,407	0	0	78,407
322	Accrued Compensated Absences	51,987	0	0	51,987
333	Accounts Payable - Other Governments	737,267	83,571	0	820,838
341	Tenant Security Deposits	162,709	0	0	162,709
342	Deferred Revenue	9,411	0	0	9,411
345	Other Current Liabilities	468	0	0	468
346	Accrued Liabilities - Other	0	0	0	0
347	Interprogram Due To	2,867	0	0	2,867
310	TOTAL CURRENT LIABILITIES	1,126,904	83,571	25,038	1,235,513
354	Accrued Compensated Absences - Noncurrent	0	6,703	0	6,703
353	Noncurrent Liabilities - Other	0	0	0	0
350	TOTAL NONCURRENT LIABILITIES	0	6,703	0	6,703
300	TOTAL LIABILITIES	1,126,904	90,274	25,038	1,242,216
	EQUITY				
508.1	Invested in Capital Assets, Net of Related Debt	23,829,688	0	2,780,443	26,610,131
511.1	Restricted Net Assets	0	0	0	0
512.1	Unrestricted Net Assets	1,312,325	1,488,491	924	2,801,740
513	TOTAL EQUITY	25,142,013	1,488,491	2,781,367	29,411,871
600	TOTAL LIABILITIES AND EQUITY	\$26,268,917	\$1,578,765	\$2,806,405	\$30,654,087

FLINT HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO IIUD
JUNE 30, 2007

FDS Line		14.850a	14.871	14.872	
Item No.	Account Description	Low Rent Housing	Sect. 8 HCV Programs	CFP	Total
	REVENUE				
703	Net Tenant Rental Revenue	\$1,460,161	\$0	\$0	\$1,460,161
704	Tenant Revenue - Other	145,598	0	0	145,598
705	TOTAL TENANT REVENUE	1,605,759	0	0	1,605,759
706	FLA IIUD Grants	3,454,253	3,873,040	879,577	8,206,870
706.1	Capital Grants	0	0	1,326,305	1,326,305
708	Other Government Grants	0	419,966	0	419,966
711	Investment Income - Unrestricted	58,626	24,942	0	83,568
714	Fraud Recovery	0	2,738	0	2,738
715	Other Revenue	184,594	328	0	184,922
716	Gain/Loss on Sale of Fixed Assets	(2,142)	0	0	(2,142)
720	Investment Income - Restricted	0	0	0	0
700	TOTAL REVENUE	5,301,090	4,321,014	2,205,882	11,827,986
	EXPENSES				
911	Administrative Salaries	823,039	230,868	103,100	1,157,007
912	Auditing Fees	8,770	0	3,000	11,770
914	Compensated Absences	227,210	11,204	0	238,414
915	Employee Benefit Contribution - Administrative	290,483	53,358	28,056	371,897
916	Other Operating - Administrative	295,717	46,067	314,587	656,371
921	Tenant Services - Salaries	29,254	0	0	29,254
923	Employee Benefit Contribution - Tenant Services	9,769	0	0	9,769
924	Tenant Services - Other	18,171	0	0	18,171
931	Water	597,044	0	0	597,044
932	Electricity	368,768	0	0	368,768
933	Gas	253,397	0	0	253,397
941	Ordinary Maintenance and Operation - Labor	592,194	0	0	592,194
942	Ordinary Maintenance and Operation - Materials	318,509	892	0	319,391
943	Ordinary Maintenance and Operation - Cont Cost	264,958	1,176	0	266,134
945	Employee Benefit Contribution - Ord Maintenance	179,187	0	0	179,187
952	Protective Services - Other Contract Costs	9,832	1,470	430,835	442,137
961	Insurance Premiums	457,644	3,512	0	461,156
962	Other General Expenses	4,740	213	0	4,962
963	Payments in Lieu of Taxes	68,711	0	0	68,711
964	Bad Debts - Tenant Rents	86,279	(146)	0	86,133
969	TOTAL OPERATING EXPENSES	4,903,685	348,604	879,578	6,131,867
970	EXCESS OPERATING REVENUE OVER EXPENSES	397,405	3,972,410	1,326,304	5,696,119
	OTHER EXPENSES				
972	Casualty Losses - Non Capitalized	0	0	0	0
973	Housing Assistance Payments	0	3,369,499	0	3,369,499
974	Depreciation Expense	3,028,569	0	64,192	3,092,761
900	TOTAL EXPENSES	7,932,254	3,718,103	943,770	12,594,127
	OTHER FINANCING SOURCES (USES)				
1001	Operating Transfer In	0	0	0	0
1002	Operating Transfer Out	0	0	0	0
1008	Special Items (net gain/loss)	5,485	0	0	5,485
	TOTAL OTHER FINANCING SOURCES (USES)	5,485	0	0	5,485
1000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(2,625,679)	602,911	1,262,112	(760,656)
1103	Beginning Equity	19,737,445	882,917	3,777,670	24,398,032
1104	Prior Period Adjustment	8,030,247	2,663	(2,258,415)	5,774,495
	ENDING EQUITY	\$25,142,013	\$1,488,491	\$2,781,367	\$29,411,871

FLINT HOUSING COMMISSION
 ADDITIONAL REQUIRED INFORMATION
 FDS SCHEDULE SUBMITTED TO HUD
 JUNE 30, 2007

		14.850a	14.871	14.872	
FDS Line		Low Rent	Sec. 8 HCV		
Item No.	Account Description	Housing	Programs	CRP	Total
1103	Beginning Equity	\$19,737,445	\$882,917	\$3,777,670	\$24,398,032
1104	Prior Period Adjustment and Equity Transfers	7,917,811	2,663	(2,233,377)	5,687,097
1117	Administrative Fee Equity	0	37,178	0	37,178
1118	Housing Assistance Payments Equity	0	1,143,688	0	1,143,688
1120	Gross Number of Units	14,797	11,556	0	26,353
1121	Number of Unit Months Leased	11,006	10,000	0	21,006

FLINT HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

	FEDERAL CFDA <u>NUMBER</u>	FUNDS <u>EXPENDED</u>
<u>U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing Program	14.850a	3,454,253
Public and Indian Housing Capital Fund Program	14.872	2,205,882
Section 8		
Tenant Based Voucher Program	14.871	<u>3,873,040</u>
	Total Federal Assistance	\$ <u>9,533,175</u>

"SEE THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"

FLINT HOUSING COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards presents the activity of all federal financial assistance programs of Flint Housing Commission and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A - 133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE 2 - SUBRECIPIENT AWARDS

Of the federal expenditures presented in the schedule, Flint Housing Commission did not provide federal awards to subrecipients.

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners,
Flint Housing Commission
Flint, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities of the Flint Housing Commission as of and for the year ended June 30, 2007, which collectively comprise Flint Housing Commission's basic financial statements and have issued our report thereon dated March 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Flint Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Flint Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flint Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Flint Housing Commission, in a separate letter dated March 6, 2008.

This report is intended solely for the information and use of the board of commissioners, management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

March 6, 2008

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners,
Flint Housing Commission
Flint, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Flint Housing Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Flint Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Flint Housing Commission's management. Our responsibility is to express an opinion on Flint Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Flint Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Flint Housing Commission's compliance with those requirements.

In our opinion, Flint Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2007-01.

Internal Control over Compliance

The management of Flint Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we consider Flint Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Flint Housing Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of commissioners, management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

March 6, 2008

FLINT HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

STATUS OF PRIOR FINDINGS

The prior audit report for the year ended June 30, 2006 contained a total of 11 audit findings:

Financial Statement Findings

1	Finding: Status:	Physical Inventory Implemented
2	Finding: Status:	Proper Control and Access to Cash Implemented
3	Finding: Status:	Bank Reconciliation Implemented
4	Finding: Status:	Tenant Account Receivable Subsidiary Ledger Implemented
5	Finding: Status:	Account Balances Implemented
6	Finding: Status:	General Ledger Not Implemented - See Findings #1
7	Finding: Status:	Excessive Audit Adjustments Not Implemented - See Findings #2
8	Finding: Status:	Budget Overruns Implemented

Federal Awards Findings

9	Finding: Status:	Physical Inventory Implemented
10	Finding: Status:	Tenant Files Implemented
11	Finding: Status:	Missing Information Not Implemented - See Finding #3

FLINT HOUSING COMMISSION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 SECTION .505
 YEAR ENDED JUNE 30, 2007

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under Section .510?	Yes
Major Programs (List):	CFDA# 14.850 Public and Indian Housing Program CFDA# 14.872 Public and Indian Housing Capital Fund Program (CFP) CFDA# 14.871 Section 8 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All Others
Low Risk Auditee?	Yes

FLINT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
YEAR ENDED JUNE 30, 2007

2. FINDINGS RELATED TO FINANCIAL STATEMENTS
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Finding Reference Number	2007-1
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Finding Type - General Ledger

Criteria - The Commission should take steps necessary to ensure the accuracy and completeness of financial statements.

Condition - The general ledger was not properly maintained. In several instances we noted accounts contained incorrect balances and required numerous adjusting entries to reflect actual balances at year end. Also, we noted that beginning balances for the current fiscal year did not agree with the prior year ending balances and in certain instances the amount reported to REAC on the unaudited submission was not in agreement with the general ledger.

Questioned Costs - None

Effect - The Commission's financial statements before any adjusting entries contained numerous errors.

Cause - Numerous transactions were incorrectly recorded by the Commission. The Commission did not exercise adequate control over the general ledger and reporting function.

Recommendations - We recommend that the Commission exercise more care in processing and recording transactions to ensure the integrity of its financial system.

Management's Response - This is correct, there were several balance sheet accounts, mostly related to Capital Fund accounts that did not have correct balances because the Capital Fund transactions were not being recorded properly.

Action Plan - The Commission contracted with a fee accountant in November 2007 to assist with this and related matters. Monthly review of financial statements and any corrections will be done in a timely manner to avoid future findings of this

FLINT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
YEAR ENDED JUNE 30, 2007

2. FINDINGS RELATED TO FINANCIAL STATEMENTS, Continued.

Finding Reference Number

2007-2

Finding Type - Excessive Audit Adjustments

Criteria - The Commission should take steps necessary to ensure the accuracy and completeness of the financial statements.

Condition - We noted the audit required a significant number of adjusting journal entries. These entries were necessary because numerous unadjusted general ledger accounts were incorrect.

Questioned Costs - None

Effect - The Commission's financial statements before any adjusting entries contained numerous errors.

Cause - Numerous transactions were incorrectly recorded by the Commission. The Commission did not exercise adequate control over the general ledger and reporting function.

Recommendations - We recommend that the Commission exercise more care in processing and recording transactions to ensure the completeness of its financial reporting.

Management's Response - Numerous adjusting entries will be required to correct the general ledger's incorrect balances as stated in the prior finding.

Action Plan - The Commission contracted with a fee accountant in November 2007 to assist with this and related matters. Monthly review of financial statements and any corrections will be done in a timely manner to avoid future findings of this nature.

FLINT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
YEAR ENDED JUNE 30, 2007

3. FINDINGS RELATED TO FEDERAL AWARDS

Finding Reference Number

2007-3

Program Name - CFDA# 14.850a - Public and Indian Housing - Low Rent Program

Finding Type - Noncompliance; Missing Information

Criteria - The program requires that all disbursements have the required documentation readily available for audit examination.

Condition - During our testing of credit card charges, we noted that one employee did not provide documentation supporting a charge on the Commission's credit card that was paid with Public Housing funds.

Questioned Costs - \$1,360

Effect - Those employees with access to the Commission's credit card could make purchases that would not be approved for payment and would need to reimburse the Commission.

Cause - Those in charge of cash disbursements and reviewing the credit card bills were disbursing funds without collecting all the supporting documentation required.

Recommendations - We recommend that the Commission enhance and strengthen its quality controls and procedures to ensure that required documentation is accurate and properly filed.

Management's Response - A payment was made for a credit card bill that did not have any accompanying documentation. This is not standard practice for the Commission. This particular bill was mainly paying travel expenses for prospective Executive Directors and the person in charge of the travel plans did not have any backup documentation to attach to the bill.

Action Plan - Unrelated to this matter, the persons responsible for the missing documentation and subsequent processing of the check are no longer employed at the Commission. As stated in the management response, it is not standard practice to pay for materials or services without documentation. Current staff is prudent in regards to invoice processing in order to avoid such findings.

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners,
Flint Housing Commission
Flint, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have performed the procedure described in the second paragraph of this report, which was agreed upon by Flint Housing Commission and U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. Flint Housing Commission is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedures indicated agreement of the electronically submitted information and hard copy as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, Audits of States, Local Government, and Nonprofit Organizations, of the financial statements of Flint Housing Commission as of the year ended June 30, 2007, and have issued our report thereon dated March 6, 2008. The information in the "Hard Copy Documents" column was included within the scope or was a by-product, of that audit. Further, our opinion on the fair presentation of the supplemental information dated March 6, 2008, was expressed in relation to the general purpose financial statements of Flint Housing Commission taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditors' report is available in its entirety from Flint Housing Commission. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of Flint Housing Commission and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

March 6, 2008

FLINT HOUSING COMMISSION
 AGREED-UPON PROCEDURES
 JUNE 30, 2007

UFRS Rule Information	Hard Copy Documents	Findings
Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDA's	Agrees
Footnotes	Footnotes to audited basic financial statements	Agrees
Type of opinion on FDS	Auditors' supplemental report on FDS	Agrees
Audit findings narrative	Schedule of Findings and Questioned Cost	Agrees
General information	OMB Data Collection Form	Agrees
Financial statement report information	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form	Agrees
Federal program report information	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form	Agrees
Federal agencies required to receive reporting package	OMB Data Collection Form	Agrees
Basic financial statements and auditors' reports required to be submitted electronically	Basic Financial Statements (inclusive of auditors' reports)	Agrees

FLINT HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
FOR THE YEAR ENDED JUNE 30, 2007

FLINT HOUSING COMMISSION

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Zenk & Associates, P.C.

Certified Public Accountants

Members.

American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON MANAGEMENT ADVISORY COMMENTS

Board of Commissioners,
Flint Housing Commission
Flint, Michigan

We have audited the financial statements of the Flint Housing Commission ("Commission") as of and for the year ended June 30, 2007, and have issued our report, thereon, dated March 6, 2008. We have also issued compliance reports and reports on internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses, and reportable conditions.

Other matters involving the Commission's operations and internal controls, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Zenk & Associates, P.C.

March 6, 2008

FLINT HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
JUNE 30, 2007

Employee Annual Performance Reviews

The Commission needs to review employees' performance at least once a year and document and file the reviews in employees' personnel files.

We recommend that the Commission perform annual performance reviews for each of their employees and maintain a copy of the reviews in the employees' personnel files.

The Commission will begin implementing employee performance reviews and documenting the reviews.

Staff Training

The Commission needs to ensure that the accounting staff receives the adequate training on implementing the software and recording transactions properly.

We recommend that the Commission send the accounting staff to various seminars to train on how to implement the software and record transactions properly.

The Commission will begin sending the accounting staff to various seminars on the implementation of the software and the recording of transactions.

Board Member Training

The Commission needs to ensure that the board members receive the proper training on HUD policies and procedures.

We recommend that the Commission send the board members to various HUD training seminars to help keep them abreast of HUD policies and procedures.

The Commission will begin sending the board members to various HUD training seminars.

Board Member Reimbursements

The Commission needs to adopt policies and procedures in regards to board members' reimbursements. The Commission needs to be diligent in receiving and reviewing documentation regarding board members' expense reimbursements and determining the validity of the expense.

We recommend that the Commission adopt policies and procedures regarding board members' expense reimbursements.

The Commission will adopt policies regarding board members' expense reimbursements requiring the proper documentation.